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15 UNITED STATES DISTRICT COURT
 16 CENTRAL DISTRICT OF CALIFORNIA

17 HORNG TECHNICAL ENTERPRISE
 18 CO., LTD.,

: Case No.: CV-05-7287 (GPS)

19 Plaintiff,

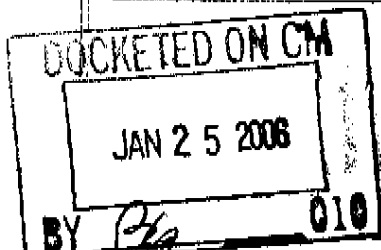
20 vs.

21 SAKAR INTERNATIONAL, INC., and
 22 DOES 1 through 100, inclusive

23 Defendant.

24 DEFENDANT SAKAR INTERNATIONAL, INC.'S
 25 REPLY MEMORANDUM TO PLAINTIFF'S OPPOSITION
 26 MEMORANDUM TO MOTION TO TRANSFER VENUE

27 DEFENDANT SAKAR INTERNATIONAL, INC.'S REPLY MEMORANDUM
 28 TO PLAINTIFF'S OPPOSITION MEMORANDUM TO MOTION TO TRANSFER VENUE



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1 **I. INTRODUCTION**

2 Defendant Sakar International, Inc. ("Sakar") hereby replies to Plaintiff Horng
3 Technical Enterprise Co., Ltd.'s ("Horng") Memorandum in Opposition to Sakar's
4 motion to transfer the venue of this case preferably to the Western District of Michigan
5 or in the alternative to the District of New Jersey pursuant to 28 U.S.C. §1406(a) for
6 improper venue and in the alternative pursuant to 28 U.S.C. §1404(a) for forum non-
7 convenience. For the following reasons Horng's contentions are without merit.

8 **II. HORNG HAS MISCHARACTERIZED THE FACTS OF THIS CASE**
9 **SINCE THE DEFECTIVE PRODUCTS SAKAR SHIPPED TO**
10 **CALIFORNIA WERE MERELY SHIPPED TO THE PORT IN LOS**
11 **ANGELES IN TRANSIT TO HORNG'S FACTORY IN CHINA FOR**
12 **REPAIR**

13 In its Memorandum in Opposition, Horng contends that venue is proper in
14 California pursuant to 28 U.S.C. §1391(a)(2) since a substantial part of the property that
15 is the subject of Horng's collection action against Sakar is located in Los Angeles,
16 California. However, this is a clear mischaracterization of the facts of this case.

17 Contrary to Horng's contentions, while Sakar was in New Jersey it entered into a
18 subsequent agreement with Horng separate and apart from the original Contract of Sale,
19 whereby Sakar agreed to ship back defective products (which represent a small
20 percentage of the total products shipped to Sakar pursuant to the original Contract of
21 Sale) to Horng's factory in China so that Horng could inspect and repair them. Sakar
22 complied with this agreement, by shipping these defective goods to the port of Los
23 Angeles so that they could in turn be shipped to Horng's factory in China. Thus, these
24 defective products were merely in Los Angeles in transit, to be shipped in turn to their
25 final destination which is Horng's factory in China for repair.

26 Accordingly, proper venue cannot be based on the shipment of a single container
27 of defective goods to Los Angeles in transit on their way to China. That is, defective
28 goods in transit via Los Angeles, California to China for repair cannot be the basis for

1 Horng to assert that venue is proper in the Central District of California. Horng's
2 statement that "a substantial part of the property that is the subject of this action is
3 located in Los Angeles County," is an incorrect and false statement.

4 **III. THIS IS NOT AN IN REM ACTION.**

5 In its Memorandum in Opposition, Horng mischaracterizes this action as an "in
6 rem" action directed toward the single container of defective products that Sakar
7 shipped to Los Angeles in transit on their way to Horng's factory in China to be
8 inspected and repaired. Specifically, Horng states that "venue is proper in the Central
9 District of California because a substantial part of the property is the subject of Horng's
10 collection action against Sakar is located in Los Angeles County."

11 However, contrary to Horng's contentions, this action does not primarily concern
12 the single container of defective products that Sakar shipped to Los Angeles in transit to
13 China. Rather, as stated in Plaintiff Horng's Complaint of August 30, 2005, this is a
14 collection action in which Horng sued Sakar to collect actual money damages for
15 Sakar's alleged breach of a Contract of Sale in which Sakar allegedly promised "to pay
16 the purchase price [for] plaintiff's ship[ment] and deliv[ery] [of] computer accessories to
17 defendant." Accordingly, this is not an "in rem" action since this action is not directed
18 to the container of defective goods shipped to California in transit.

19 Instead, this is a breach of sales contract action directed toward Sakar that seeks
20 actual money damages rather than an action directed toward the container of the
21 defective goods. Thus, the location of these goods in Los Angeles (in transit) cannot
22 determine venue or jurisdiction in this collection action (based on Sakar's alleged breach
23 of a Contract of Sale). Therefore, venue is not proper in the Central District of
24 California since the returned defective property is not the subject of this action.

25 **IV. THE AGREEMENT TO RETURN THE DEFECTIVE PRODUCTS TO**
26 **CHINA WAS NOT PART OF THE ORIGINAL CONTRACT OF SALE**
27 **AND WAS NOT ALLEGED IN HORNG'S COMPLAINT.**

28 The agreement entered into in New Jersey between Sakar and Horng whereby

1 Sakar agreed to ship back defective products to Horng's factory in China (so that Horng
2 could inspect and repair them) was separate and apart from the original Contract
3 of Sale (that Horng alleged was breached by Sakar in its Complaint). Accordingly, the
4 return of the defective goods to Los Angeles in transit to China was not part of the
5 original Contract of Sale and was not alleged in Horng's Complaint. Thus, Sakar's
6 shipment of these good to the port of Los Angeles in transit to China cannot be a basis
7 for asserting that venue is proper in this action in the Central District of California since
8 this ancillary and subsequent agreement is not part of this action. Therefore, the
9 location of these goods pursuant to an ancillary agreement, entered into in New Jersey,
10 is separate and apart from the subject of this action, the original Contract of Sale, and
11 cannot vest proper venue in the Central District of California pursuant to 28 U.S.C.
12 §1391(a)(2).

13 **V. THE DEFECTIVE PRODUCTS SHIPPED TO LOS ANGELES IN**
14 **TRANSIT TO CHINA REPRESENT A SMALL PERCENTAGE OF THE**
15 **TOTAL PRODUCTS SHIPPED TO SAKAR AND ARE NOT THE**
16 **PRIMARY REASON WHY SAKAR REFUSED TO PAY HORNG.**

17 As previously stated, the defective products shipped back to Horng via Los
18 Angeles in transit to China represent a small percentage of the total products shipped to
19 Sakar pursuant to the original Contract of Sale. In addition, Sakar's refusal to make
20 payments to Horng for the purchased goods does not stem from Sakar receiving
21 defective goods. Rather, Sakar's refusal to make these payments primarily stems from
22 GLIP suing Sakar in the Western District of Michigan for patent infringement for the
23 goods sold to Sakar by Horng. That is, Sakar refused to make payments to Horng for
24 the optical mice it purchased from Horng pursuant to the indemnification provision in
25 the Contract of Sale and pursuant to the Uniform Commercial Code (U.C.C.). That is,
26 the vendor Horng cannot sell infringing goods to Sakar under the U.C.C. If Horng
27 does, it is liable to Sakar. Accordingly, venue is proper in Michigan pursuant to 28
28 U.S.C. §1391(a)(2) since "a substantial part of the events or omissions (Sakar's refusal

1 to pay Horng) giving rise to Horng's breach of contract, collection claim" arise from the
2 patent infringement action in Michigan.

3 **VI. DESPITE HORNG'S CONTENTIONS TO THE CONTRARY, THIS CASE**
4 **SHOULD BE TRANSFERRED TO THE WESTERN DISTRICT OF**
5 **MICHIGAN OR IN THE ALTERNATIVE TO THE DISTRICT OF NEW**
6 **JERSEY.**

7 **A. Sakar and Horng do not Reside in California.**

8 As previously stated, Defendant Sakar is a New York corporation with its
9 principal place of business in Edison, New Jersey. Thus, Sakar does not reside in
10 California, and Sakar did not enter into the Contract of Sale with Horng in California
11 (but did so in New Jersey). Indeed, Horng resides in China and Horng arbitrarily
12 selected California to file this lawsuit. Horng could just as easily have selected
13 Michigan in which to file this action.

14 **B. Horng Should Have Brought This Action In The Western District**
15 **Of Michigan Or In The Alternative In The District Of New Jersey.**

16 Since subject matter jurisdiction in this case is based solely on diversity of
17 citizenship, venue in this case is proper:

18 1. Where any defendant resides if all defendants reside in the same state.
19 28 U.S.C. §1391 (a)(1); or

20 2. In which a substantial part of the events or omissions giving rise to the claim
21 occurred, or in which a substantial part of the property at issue is situated. 28 U.S.C.
22 §1391(a)(2). The district court must ask if the district the plaintiff has chosen has a
23 substantial connection to the claim, regardless of whether other forums have greater
24 contacts. Setco Enters. Corp. v. Ribbins, 19 F.3d 1278, 1281 (8th Cir. 1994); or

25 3. In which any defendant is subject to personal jurisdiction at the time the action
26 is commenced, if there is no district in which the action may otherwise be brought. 28
27 U.S.C. §1391(a)(3).

28 With the exception of this action, both parties contacts with California are
nonexistent. Horng's only place of business is in China, and Defendant Sakar's only

1 and principal place of business is in New Jersey. In addition, the Contract of Sale of the
2 products in question was entered into between Sakar and Horng in New Jersey. The
3 only connection the parties have with the California forum stems from Horng's attorney
4 being located in California.

5 Although Horng may argue that the sale of some of Sakar's products in question
6 took place in California, this same situation exists in potentially any district in the
7 United States where Sakar's products in question are sold. In fact, Sakar's only link
8 with the Central District of California is that Sakar may have sold some of its products
9 in question to retailers in California. However, **sales alone are not enough** to establish
10 a material connection to a forum if the defendant's goods are sold in many states. See
11 Boreal Laser Inc. v. Coherent Inc., 1992 U.S. Dist. LEXIS 276, 22 U.S.P.Q.2D (BNA)
12 1559, 1560 (S.D. N.Y. 1992) (emphasis added). Given that Sakar's products are sold
13 through national retail chains, the Central District of California is not in any better
14 position to hear this case than the Western District of Michigan or the District of New
15 Jersey.

16 Further, Defendant Sakar's substantial contacts with the District of New Jersey
17 and with the pending litigation in the Western District of Michigan strongly favor
18 transferring this case. To avoid multiple lawsuits, a transfer to Michigan would be
19 practical. Alternatively, Sakar resides and has its principal place of business in Edison,
20 New Jersey. Also, the Contract of Sale between Sakar and Horng was entered into in
21 New Jersey and Sakar ships the products in question from its New Jersey warehouses.
22 Thus, the District of New Jersey has "local interest in having localized controversies
23 decided at home." Piper Aircraft, 454 U.S. at 241 n. 6.

24 Alternatively, Sakar's counterclaims for damages and Sakar's indemnification
25 claim (under the U.C.C. and as a result of the express provision in the Sales Contract to
26 hold Sakar harmless for any alleged claims of infringement instituted by a third party (in
27 this case GLIP) for the goods sold to Sakar by Horng) in this California case are
28

1 identical to the pending cross claims made by Sakar against Horng in the Michigan
2 action. In addition, Horng's claims for actual damages and breach of contract in this
3 case and Sakar's counterclaims and cross claims for indemnification and damages were
4 precipitated by Sakar first being sued in the Michigan action for patent infringement.
5 Specifically, both parties' claims in this case and those in the related Michigan action all
6 result from the same original Contract of Sale in which Horng sold Sakar the computer
7 products in question which are alleged to infringe GLIP's patent claims in Michigan.

8 **C. Horng Can Be Joined As A Cross Claim Defendant In Michigan.**

9 Sakar has already filed a motion in the Western District of Michigan to join
10 Horng as a third party, cross claim defendant in that case in order to efficiently resolve
11 its related claims of indemnification and damages against Horng.

12 Horng is a foreign corporation filing suit in the United States. As a direct result
13 of doing so, Horng is deemed to be subject to jurisdiction in the United States. In
14 addition, in all federal actions against aliens (in this case Horng), the applicable venue
15 provision is 28 U.S.C. §1391(d), which provides that "[a]n alien may be sued in any
16 district." 28 U.S.C. §1391(d). Accordingly, even if this Court were to deny Sakar's
17 motion to transfer this case, Horng could still be joined as a cross-claim defendant in the
18 Michigan action (as a result of Sakar's pending motion in Michigan) and Horng will
19 have to simultaneously litigate the identical issues in this action as well as in the
20 Michigan action.

21 This Court should also note that the Michigan action is in an early stage of
22 discovery, and the parties have until March 17, 2006 to exchange their positions on
23 patent infringement, patent validity and prior art. Thus, none of the parties (including
24 GLIP, HORNG or SAKAR) would be prejudiced if this case and Sakar's patent
25 indemnification defense is transferred to Michigan. That is, if there is patent
26 infringement, Horng's action should be against GLIP. Also, Horng will be given an
27 opportunity in the Michigan action to defend and assert that there is not patent

1 infringement of GLIP's patents by Horng's optical mice products.

2 **VII. CONCLUSION**

3 For the reasons set forth above, the Defendant Sakar International, Inc.
4 respectfully requests that this Court grant its motion to transfer this action from the
5 Central District of California to the Western District of Michigan or in the alternative to
6 the District of New Jersey. As explained above, Horng and Sakar have no connections
7 with the State of California.

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12 Dated: January 17, 2005

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